

## **SGN Response to the Consultation on Ofgem’s Draft Consumer Vulnerability Strategy 2025**

SGN manage the network that distributes natural and green gas to homes and businesses across Scotland and the south of England. We deliver a safe, secure and reliable gas supply to 5.9 million customers through 74,000km of pipeline. Our two distinct network areas include the most densely populated areas of south London and the remotest parts of Scotland. The service we provide to our customers in each of these two distinct regions reflects the fact they have different needs, and different priorities. Our position as the number one gas network for customer service highlights our excellent track record of accommodating for the different needs of our customers, including those in vulnerable circumstances.

SGN welcomes the opportunity to respond to this consultation to help finalise Ofgem’s priorities to help protect consumers in vulnerable situations until 2025. Supporting customers in vulnerable circumstances is a high priority for our customers and our employees. We have led the way in terms of the support services we provide customers in vulnerable circumstances in RIIO-GD1 since 2013. Our approach to RIIO-GD2 from 2021-26 is to build on the good service we’ve provided in GD1 as part of our commitment to ‘make a positive impact by providing excellent service and supporting those vulnerable in the community’.

The proposal to introduce a Licence Obligation for RIIO-GD2 requiring the Gas Distribution Networks (GDNs) to support consumers in vulnerable situations as part of business as usual is welcome. Our ambitions in this space are closely aligned with the proposed Licence Obligation. We are discussing with stakeholders our ambition that by the end of 2026 we will have supported 500,000 customers in vulnerable circumstances to use energy safely, efficiently and affordably.

Ofgem’s welcome new ‘use it or lose it’ allowance for GDNs will allow for the delivery of ambitious and innovative bespoke initiatives that go beyond business as usual in supporting customers in vulnerable situations. We believe the allowance will allow creativity in the initiatives that are brought forward to deliver the outcomes that Ofgem wants to see. We have worked with our stakeholders to create options in our draft GD2 business plan for how we might use the vulnerability allowance. We will continue our dialogue with stakeholders, our Customer Engagement Group and Ofgem to ensure the strategy in our final business plan reflects Ofgem’s final Consumer Vulnerability Strategy.

There are a few further things we would like to highlight:

1. We are encouraged to see the change in the use of language from vulnerable customers to consumers in vulnerable situations.
2. The five priority themes and outcomes identified are helpful to guide the development of our initiatives.
3. We agree more work needs to be done to provide accurate data on consumers in vulnerable situations and support the ambition to encourage further access and sharing with the water sector.
4. We would like Ofgem to work with the UK Government to extend powers under the Digital Economy Act to allow gas networks to undertake data matching with the Department for Work and Pensions (DWP), independent of energy suppliers to enable more effective support for vulnerable customers

Our answers to the specific questions are outlined below. We have focused our response on those questions we believe we can provide the most value.

## Answers to specific questions

### **Question 1: Do you agree with the five priority themes and the outcomes we will aim for (as set out in chapter 3-7 and annex 2)?**

We welcome the identification of the five priority themes and the outcomes that Ofgem wants to see to help guide our activity in this area during the RIIO-GD2 price control. This is particularly helpful as we develop more ambitious and bespoke initiatives under the ‘use it or lose it’ allowance.

We agree that more work needs to be done to ensure the accuracy of data on customers in vulnerable situations. The pilot PSR data sharing project between Electricity North West and United Utilities is a positive step and we strongly support the ambition to roll this out across the water and energy sectors by 2020. This is a positive step for customers if it means they will only need to sign up to one register.

A further outcome we would like from Ofgem is to work with the UK Government to extend powers under the Digital Economy Act to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching process with the DWP, independent of licensed gas and electricity suppliers. This can lead to much more effective direct support being provided to vulnerable customers and is necessary given the increased targeting being required by GDNs under the Fuel Poverty Network Extension Scheme (FPNES).

### **Question 2: Do you agree with our approach on affordability? While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.**

We are happy that the approach to affordability includes a proposal to introduce a requirement on gas networks companies including SGN to adhere to a vulnerability principle which would be implemented via a new Licence Obligation. To us this feels like an appropriate area where Ofgem can utilise the expertise of networks to enable more targeted support some consumers whose lives may be impacted by wider affordability pressures.

### **Question 3: What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?**

The consultation document raises the question about the longevity of the FPNES beyond RIIO-2 and whether it conflicts with the Government’s decarbonisation objectives. This is an area we are rightly being challenged by our stakeholders on to demonstrate it remains the right solution.

Our view is that the FPNES can both provide an immediate solution to tackle fuel poverty and an enduring solution to decarbonise heat. At SGN we are at the forefront of projects to demonstrate the role the gas network can play as part of a whole energy system approach to meet the UK Government’s net-zero target for 2050 at the lowest cost and with least disruption for customers.

We already have 35 biomethane plants connected to our networks providing sustainable, locally grown green gas for the annual heating needs of over 190,000 homes. We are also upgrading our pipes to make our

network ready to transport zero-carbon hydrogen and developing the evidence it would be just as safe as the natural gas we transport today.

As the Government develops its Fuel Poverty Strategy being consulted on separately, we believe there is not the evidence at this stage to rule out further extensions to the gas network beyond RIIO-2 given the importance of tackling fuel poverty as well as the opportunity for the network to be the means to provide newly connected households with the most cost-effective decarbonised heat solution.

**Question 4: Do you agree with our proposals for the first year of the strategy?**

As acknowledged in our answer to question 2, we believe the introduction of the vulnerability principle on gas network companies for RIIO-GD2 is positive. We are developing the elements of our vulnerable customer plan for GD2 and are ensuring they are closely aligned with the new Licence Obligation that will implement it. We are further testing the principles of our approach with our customers and stakeholders in light of the principles outlined in Ofgem's strategy.